

FY 2006 FINANCIAL TREND ANALYSIS

FINANCIAL TREND ANALYSIS

Gallatin County, Montana

March 1, 2006

Financial Trend Analysis

Analysis of Financial Trends: 36

| | |
|---|----|
| a. Table - 6 year's Trend Indicators | 37 |
| b. Revenues per capita (Actual & Constant) | 38 |
| c. Tax Revenues – actual and per capita | 39 |
| d. License & Permit Revenues/Capita | 40 |
| e. One Time Revenues | 41 |
| f. Utilization of Cash for Operating Expenses | 42 |

Expenditure History and Current Expenses 43

| | |
|---|----|
| a. Actual Expenses by Year and per Capita | 43 |
| b. Expenditure by Category | 44 |
| c. Residents per Employee | 45 |
| d. Budget Employees by activity | 45 |
| e. Fringe Benefit Costs & Projections | 46 |
| f. Capital Budgets | 47 |
| g. Compensated Leave Liability | 48 |
| h. Property Values in Gallatin County | 49 |
| i. Percentage Residential to County Property Values | 50 |
| j. Property Tax Statistical Analysis | 51 |
| k. Outstanding Debt | 52 |

Introduction:

A total of 18 trends are being measured for FY 2006

I will show Gallatin County's financial condition quantitatively through the utilization of financial trend monitoring. The system uses 18 trends and ranks trends using Favorable, Watch and Unfavorable. Trends may be expanded in future years as workload indicators and performance measurement information become available.

The analysis of these indicators is designed to measure the financial health of Gallatin County. The analysis that follows and the conclusions and recommendations involve analyzing the relevant factors to determine the financial health of the County. A number of the factors analyzed are:

- § **Working Capital (Cash)** - balances and reserve levels;
- § **Revenue** – Types, amount of revenue, revenue per capita, property tax revenue, comparison of type of tax;
- § **Expense** – trends, type of expenditures, expenses per capita, employees per capita, fringe benefits as cost of salaries;
- § **Capital** - Outlay, Reserve, projects and adherence to plans; and,
- § **Growth** – Population, taxable value, and millage

Financial indicators are analyzed-based on County financial policy

This report examines the preceding items and others in determining the current financial condition of the County. The County's adopted financial policies, as well as relevant national standards, are considered in the analysis and selection of trend data.

Specific information and data were taken from the County's audited financial statements and the approved budget document. The years reviewed are from 1970 through the current fiscal year. Trend analysis is based primarily on annual reports and budgets from 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2000-02, 2002-03, 2003-04 and 2004-05, with the current budget used as the basis for projections.

Summary of analysis:

The trend analysis that follows will provide the Public, County Commission, County Employees, Elected Officials, and Departments a glimpse into the County's financial position. The analysis allows the County to identify specific areas where new policies are desired, where existing policies need revision, and where current policies are being productive.

Each financial indicator has been assigned a rating. The ratings are favorable, watch, or unfavorable.

- § Favorable is given trends that adhere to the County mission, vision, goals, objectives and policies. A favorable overall ranking requires 13 or more Favorable indicators;
- § Watch is a trend that is in transition and may be in a downward cycle, but the trend has not reached unfavorable status. A watch for the overall rating occurs when individual favorable ratings are 9 through 12 items.
- § Unfavorable is assigned trends that are downward or negative and immediate attention is needed to address the trend. An Unfavorable overall rating occurs when less than 9 indicators are Favorable;

Gallatin County Financial Plan

The following table shows a summary of indicators for 96-97 through the 04-05 budget years. The table illustrates the ratings assigned by indicator and year.

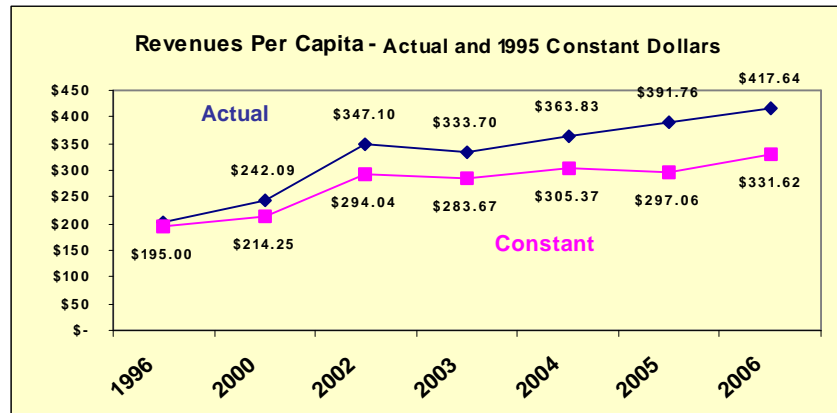
| Indicators | 96-97 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 |
|--|------------|------------|-----------------|------------|------------|------------|------------|------------|
| Revenues per Capita | Fav | Fav | Fav | Fav | Fav | Fav | Fav | Fav |
| Property Tax Revenue | Fav | Fav | Fav-Watch | Fav | Fav | Fav | Fav | Fav |
| License & Permit Rev. | Fav | Fav | Fav-Watch | Unfav | Fav | Fav | Watch | Fav |
| One – Time Revenue. | Fav | Fav | Fav | Fav | Fav | Fav | Fav | Fav |
| Inter-government. Rev. | Fav | Fav | Fav-Watch | Fav | Fav | Fav | Fav | Fav |
| Utilization of Cash | Watch | Fav | Fav | Fav | Fav | Fav | Unfav | Fav |
| Expenses per Capita | Unfav. | Unfav | Fav | Fav | Fav | Fav | Fav | Fav |
| Expenses by Category | Fav | Fav | Fav | Fav | Fav | Fav | Fav | Fav |
| Employees per Capita | Unfav. | Fav | Watch | Fav | Fav | Fav | Fav | Fav |
| Sworn officer per capita | Fav | Unfav | Unfav. | Unfav | Unfav | Unfav | Unfav | Unfav |
| Fringe Benefits | Unfav. | Unfav | Unfav. | Unfav | Unfav | Unfav | Unfav | Unfav |
| Capital Outlay | Fav | Fav | Fav | Fav | Fav | Fav | Unfav | Fav |
| Compensated Absences | Unfav. | Unfav | Fav | Unfav | Fav | Fav | Watch | Watch |
| Property Values | Fav | Fav | Fav-Watch | Fav | Fav | Fav | Fav | Fav |
| Residential values to total prop. Values | Watch | Unfav | Unfav. | Unfav | Unfav | Unfav | Unfav | Unfav |
| Property Tax Statistical Analysis | | | | | | | Fav | Fav |
| Debt | Fav | Fav | Fav-Watch | Fav | Fav | Unfav | Fav | Unfav |
| Population | <u>Fav</u> | <u>Fav</u> | <u>Fav</u> | <u>Fav</u> | <u>Fav</u> | <u>Fav</u> | <u>Fav</u> | <u>Fav</u> |
| TOTAL FAVORABLE | 11 | 12 | 8-F/5-FW | 12 | 14 | 13 | 11 | 13 |

The following are the concepts used to establish each of the indicators RATINGS:

- § Revenues per capita – an increase in revenues per capita shows growth = favorable;
- § Property Tax Revenue – an increase in number of dollars generated shows growth in the County tax basis, = favorable;
- § License and Permit Revenue – an increase shows growth in the economy = favorable;
- § One Time Revenue – decrease in one-time revenues used for operating expenses indicates current revenues ability to support current expenses = favorable;
- § Inter-Governmental Revenues – increase of revenues shows less reliance on taxation = favorable;
- § Utilization of Cash – a decrease in cash used for operations is favorable;
- § Expenses per Capita – increase in expenses per capita, shows growth in commitment to services provided by government = favorable;
- § Employees per Capita – decrease in residents served per employee is favorable. If trend shows increase for two or more year's unfavorable rating is warranted.
- § Sworn Officers /Capita – maintain 1 officer per 1,800 residents = favorable
- § Fringe Benefits – decrease as a percentage of salaries is a favorable indicator;
- § Capital Outlay – funding of greater than 10% of operating budgets is favorable;
- § Compensated Absences – decrease from previous year is desired and rates a favorable;
- § Property Values – favorable rating occurs when values increase;
- § Residential values – favorable if decrease in residential values as % of total;
- § Property Tax Statistical Analysis – growth in Average Taxable Value and Median Taxable value shows growth in tax base;
- § Debt – total debt decreases from previous year, a favorable indicator occurs; and
- § Population – increase population is favorable.

The overall rating for FY 2005-06 is FAVORABLE. Currently 13 indicators are Favorable, 1 is in a Watch status and 4 indicators are Unfavorable. This is a significant change from last year when 11 indicators were Favorable.

Revenues Per Capita:



Finding: **Favorable:** Revenues per capita reflect an increase when analyzing both actual and constant dollars for FY 1996 through FY 2006. The calculation for FY 2006 is based on the approved budget. The significant increase in FY 02 is from the creation and transfers associated with the Public Safety Fund.

The Chart shows a gradual growth in actual dollars generated per capita from FY 1996 through FY 2005. Constant dollars based to 1995 shows an increase but not as constant as the Actual Revenues.

The small decrease in FY 2005 in “Constant” dollars results from revenues being deferred for District Court Reimbursement and Contract / Grant Revenues to be collected. Changes to Motor Vehicle Revenues will continue to adversely affect county revenues through entitlement growth versus actual revenue growth.

Revenues actually received have seen increases including the following:

- § Intergovernmental Revenues – money received from Federal, State, and Local Governments increased from \$1,022,810 in FY 96 to \$6,216,740 in FY 05. A 6.07 fold increase in 9 years. The slight increase for FY 05 and future years is from State Entitlement for lost MV Revenues.
- § Charges for Services – Clerk and Recorder fees, Clerk of District Court Fees, Sheriff Services etc. have increased to \$2,985,579 in FY 05, a 25% increase from FY 96. Rest Home charges are excluded from this number for FY 03 and future years.
- § Fines and Forfeitures – revenues from the Justice Court increased 60.52% from \$322,078 in FY 96 to actual collection of \$517,024 in FY 2004.
- § Other revenues that have increased include Investment Interest by 25.62% for the General Fund and Local Option MV fees have increased by \$835,000 in the last 7 years. Investment will go down as interest rates decline and cash is used to fund ongoing operating costs.

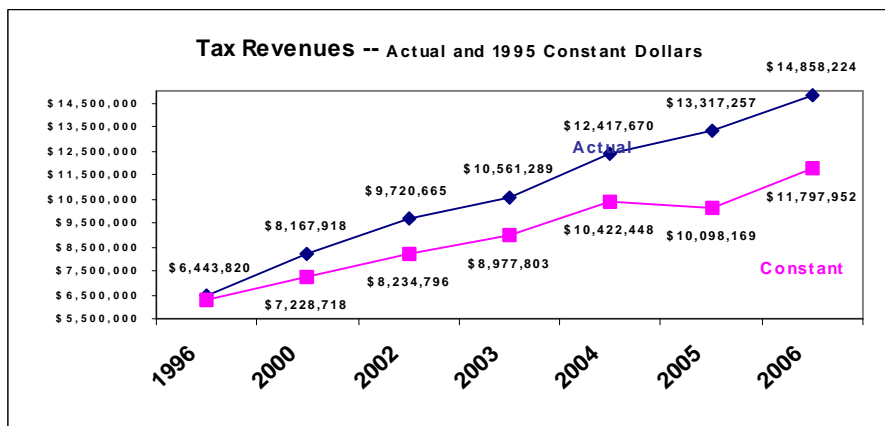
Favorable = a gradual increase in the actual and constant dollars spent by each resident indicates the county is maintaining or improving its costs for services.

Gallatin County Financial Plan

Property Tax Revenues:

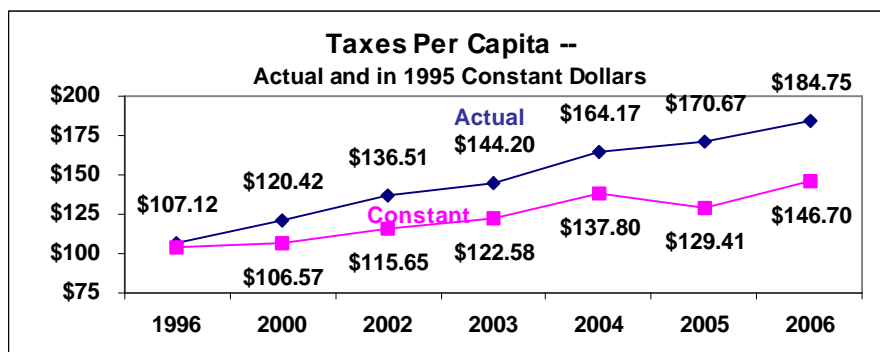
The Property Tax chart shows the actual dollars collected for FY 96 through FY 2005, with FY 2006 using Budgeted Tax Revenues. The graph also shows revenues based on calculation for constant dollars using 1995 as the base year. Items that have effected tax revenues include:

- § 1997 Voter approved 3.50 mill increase for Library
- § 2000 Use of Floating Millage to maintain revenue stream
- § 2002 Increase 3 mills for Health Insurance continued use of floating mills
- § 2003 Added \$485,000 for Bricks and Mortar tied to public safety
- § 2005 Incorporated Bricks and Mortar capital funding into operations, used portion of New construction for Operations and maximized millage
- § 2006 Reinstated new construction values for Capital Projects, utilized Permissive Medical Levy and Floating mills.



Finding: ***Favorable*** Property Tax Revenues have increased for 10 years and are budgeted to increase for FY 2006. This is a positive trend for the County. With the utilization of the Floating Mills in FY 06 and Maximizing millage this trend should continue positive.

The next graph shows taxes per capita using actual taxes and taxes inconstant (1995) dollars.



The graph shows that in constant dollars, residents are paying more than in 96. In constant dollars, the increase has been \$39.58 since 96 (\$3.96 per year). Actual tax increase is \$77.63 (\$7.76) for the 10-year period.

Favorable = tax revenues and Taxes per capita show an increase to offset inflation and to allow for growth caused by increase in population.

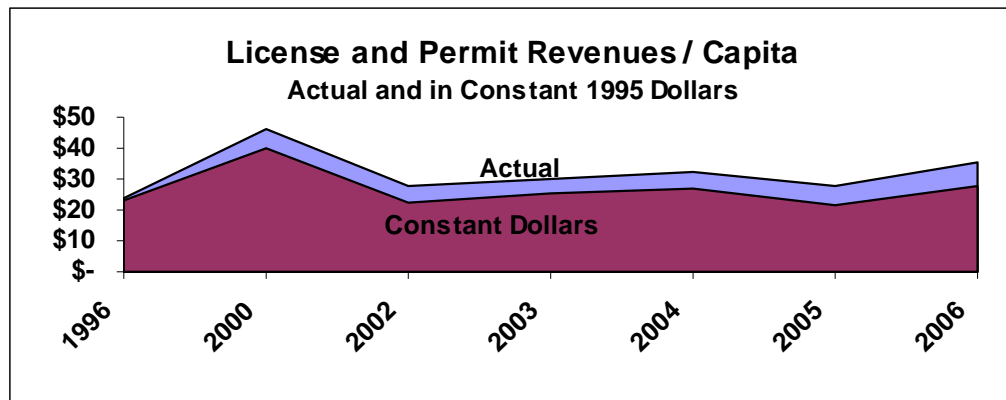
License and Permit Revenues:

Licenses and Permits saw consistent increases prior to FY 02.

Revenues generated through collection of Licenses and Permits saw consistent increases in previous years. The two major revenue sources were the 1.4% Ad Valorem Tax on Motor Vehicles and the ½ of one-percent Local Option Tax on Motor Vehicles. Both revenues have seen average growth of 10% per year. This stopped in FY 02.

Based on Legislative action Motor Vehicle Revenues are now sent to the State. The State then gives the County an entitlement plus a yearly adjustment. As is noted above, Gallatin County was seeing a 10% increase in Motor Vehicle revenues, compared to the 2.3% increase for the FY 06 Entitlement. Other revenues included in this area were increasing an average of 5%, except for Personal Property Tax reimbursement, which was decreasing by 2.4%. Taken all factors into account the County will not see the growth from the entitlement compared to our previous revenue streams.

The County continues to generate revenue from the local option tax (.5%) tax and it grew at 10.13% in FY 05 with growth for the first half of FY 06 coming in at 8.52%.



Finding: **FAVORABLE**. License and Permit Revenues continue to see growth from the in FY 01. Although the steep decline in Licenses and Permits is supposed to be offset by the increase in Inter-Government and Transfers for the State Entitlement and Local Entitlement, these revenue sources are restricted by the amount available, either from the State Legislature or the County's mill value. The Constant Dollar calculation shows a slight increase in actual revenue.

Slight increase Revenue Source

Current estimates are that Licenses and Permits will increase slightly in the next several years. This will help stabilize the County's ability to fund current service levels but will not allow expansion of services.

Favorable = a gradual increase in the actual and constant dollars received from the License and Permits, non-tax revenue source will maintain service levels.

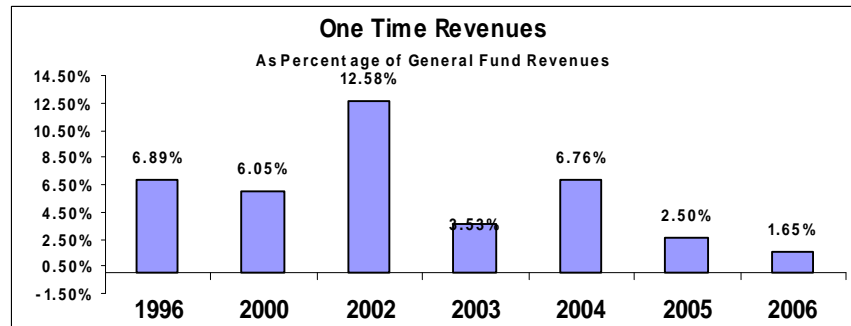
Gallatin County Financial Plan

One Time Revenues:

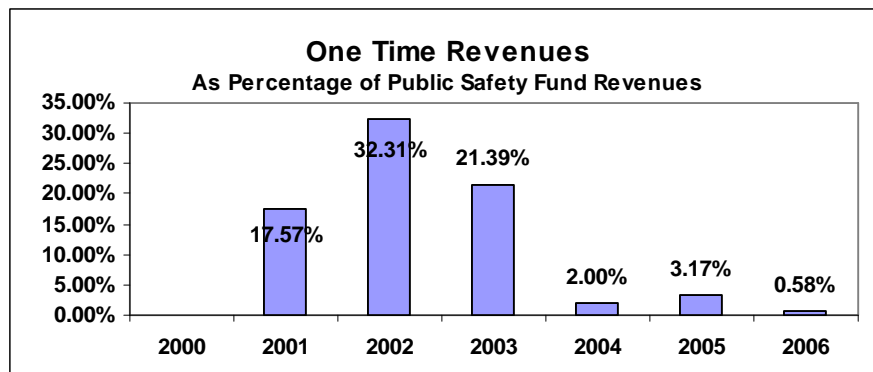
In accordance with current fiscal policies, one time revenues are used to fund one-time expenditures.

Revenues that are considered 'one-time' include grant funds not awarded for multiple years, transfers in from other funds and sale of assets or leases. The General Fund in prior fiscal years and Public Safety Fund in FY 2000 through FY 2002 have received significant amounts of revenue from this source.

When recommending the amount to be funded in budget preparation, the Finance Office recommends use of one-time revenues to fund expenses that will only occur in the proposed budget year. (One-Time Expenses)



Finding: **Favorable** One-time revenues as a percentage of the General Fund's total revenues have decreased to 3.583% for the FY 05 Budget.



The decrease in the Public Safety Fund one-time revenues is the result of the County Commission decision to levy taxes in the Public Safety fund instead of levying in General Fund and Employer Contributions and transferring to the Public Safety Fund.

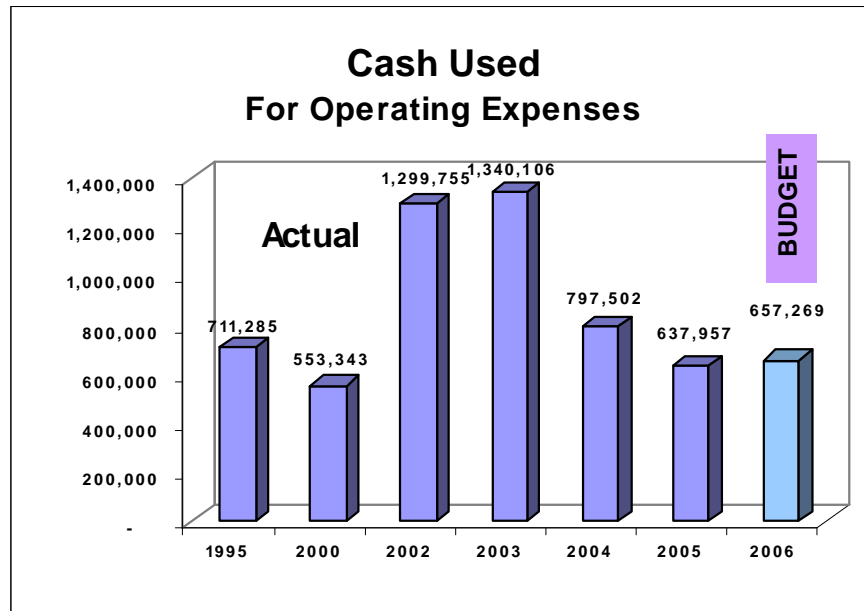
One-Time expenses include loan for new SAR/EOC building, updating the Courthouse and similar activities. Consistent with the County's and National Budgeting Standards, the money generated by one-time revenues is not used for reoccurring expenses, whenever possible. Therefore, the rating is favorable.

Favorable = a gradual decrease in the actual percentage one - time revenues are to the total General Fund and / or Public Safety Fund.

Utilization of Cash:

The County continues the shift from using cash for Operating Expenses to using cash as a one-time revenue source.

Actual expenditure of cash for ongoing operating costs has been variable in the last 8 years. These numbers are actual and do not include the amount budgeted, except in FY 2006. The FY 06 Budget anticipates using cash for Operating Expenses, the amount funding operations in the budget is \$1,147,560. This is a significant change from FY 04. Historically actual utilization of cash has been below the amount budgeted. The difference comes from the County's continued conservative estimation of non-tax revenues and departments not fully expending their budget each year.



Without cash reappropriated we could not have funded the FY 2006 Budget let alone fund future years budgets. As the County Budget becomes tighter, cash available to fund future budgets will decrease, resulting in decrease in services.

Finding: **Favorable.** The slight increase in cash to fund operations shows the County Commissions commitment to use Working Capital for one-time expenses and not use it for ongoing expenses. Actual cash used will be significantly below the amounts shown.

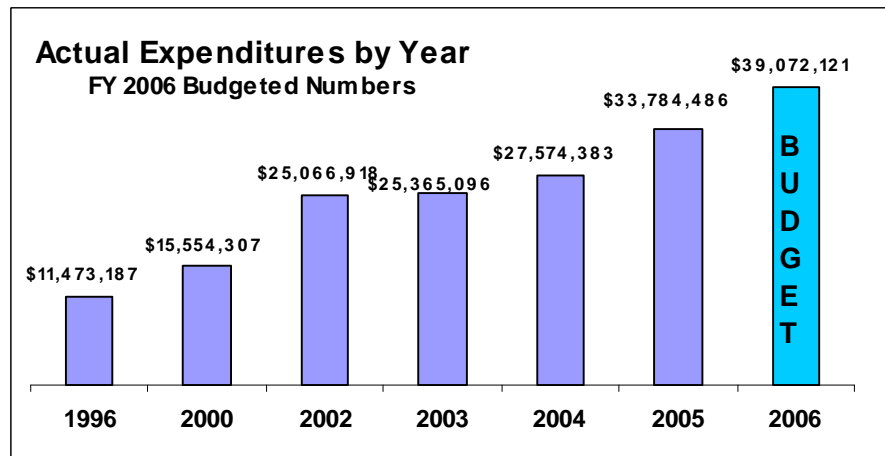
Favorable = the utilization of cash to pay for ongoing operational expenses is the exception not the rule based on the current years budget and the gradual decrease in utilization of working capital for operations.

Gallatin County Financial Plan

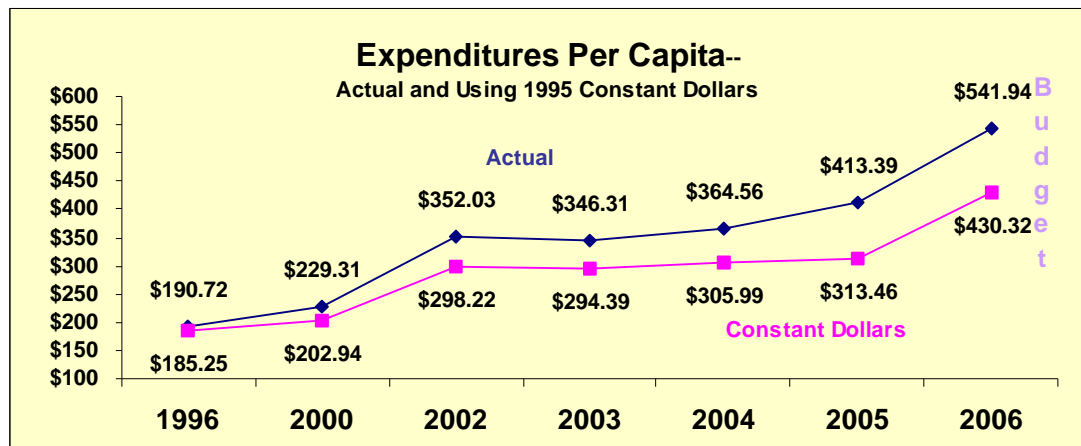
Expenditures:

**Tax supported
Funds show an
increase in actual
and per capita**

Actual Expenses during the proceeding 7 years and the FY 2006 Budget show growth of expenses in actual dollars and in per capita. The FY 2006 Expense Budget does not include the amount of Capital Reserves funded in the Budget. This adjustment more accurately reflects actual expenses made during each fiscal year. All calculations use only expenses from the County's tax supported funds – excludes grants, district etc.



County expenses in **actual** dollars increased from \$11.5 million in FY 96 to \$27.5 million in FY 2004 a 239.13% increase in nine years. In constant dollars the increase would be \$11.1 million (96.52%). The major differences above normal growth include creation of Administrative Office, Compliance Office, Court Services Office, Grants Office, Public Defenders Office, and Joint Dispatch, Changes to Juvenile Detention (FOR FY 02), an increase in capital expenditures, a significant increase in oil related costs and \$460,000 for Sworn Deputy Officers and Elected Officials salary increases in FY 02.

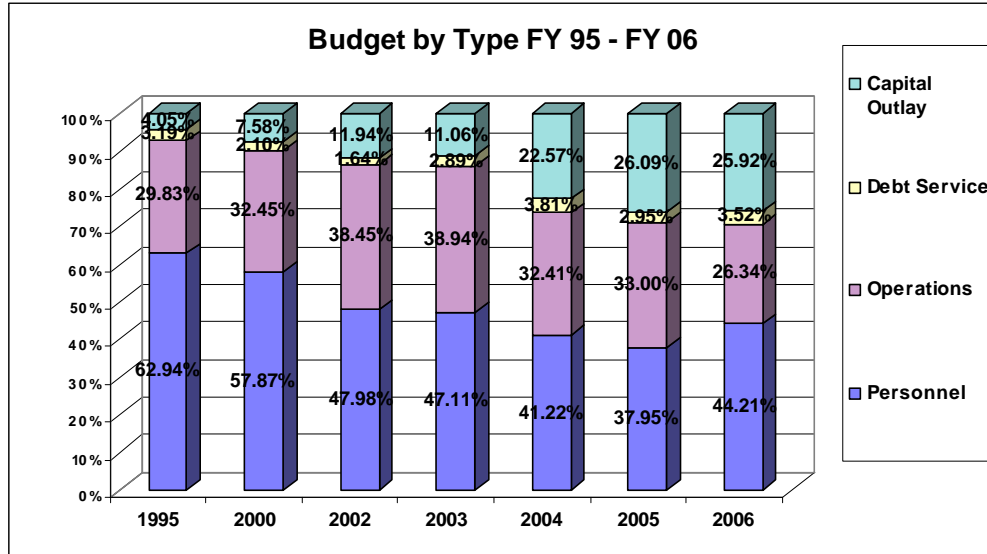


Finding: **Favorable.** Expenditures per capita in actual dollars and constant dollars have increased. The \$128.55 per capita increase for FY 2006 comes from budget versus actual expenses. The final numbers will be significantly lower. Also, in FY 2006 projects are being built instead of in planning stages.

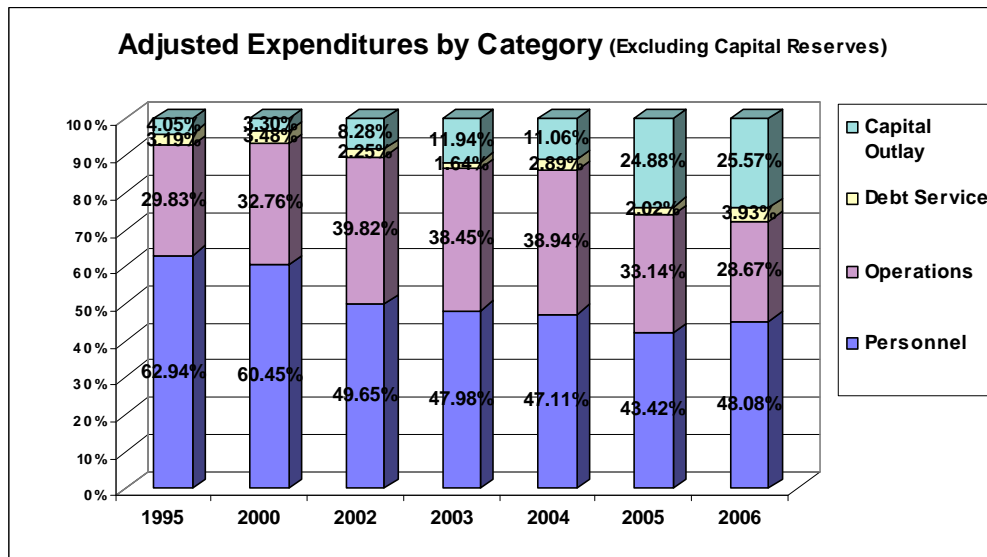
Favorable = a gradual increase in the actual and constant dollars spent by each resident indicates the county is maintaining or improving its costs for services.

Expenditures By Category:

The Chart shows Personnel costs, the largest cost for Gallatin County, have decreased from 62.94% in FY 95 to 37.95% in FY 2005 for actual expenses.



This graph has not been adjusted for Capital Reserves, set aside for future budgets. This overstates Capital Outlay and understates Debt Service, Operations and Personnel percentages. The graph below is adjusted by the removal of Capital Reserves. With Capital Reserves eliminated, Personnel costs continue to show a significant decline from 62.94% in FY 96 to the 48.08% in FY 2006.



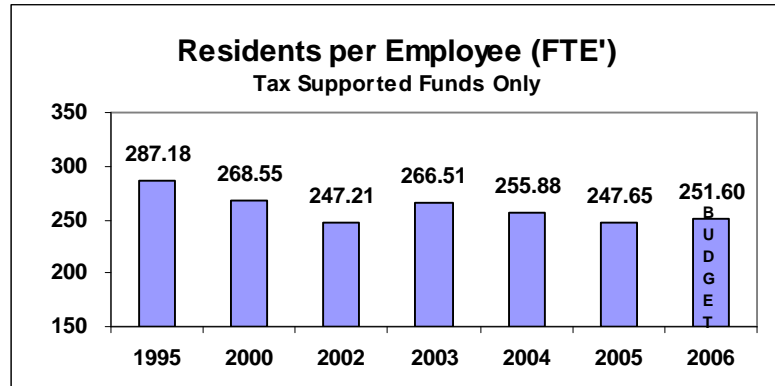
Finding: **Favorable**. Expenditures by category for Actual expenses show a decrease in the percentage being spent on Personnel. FY 05 numbers are based on the approved budget and will decrease before year-end.

Gallatin County Financial Plan

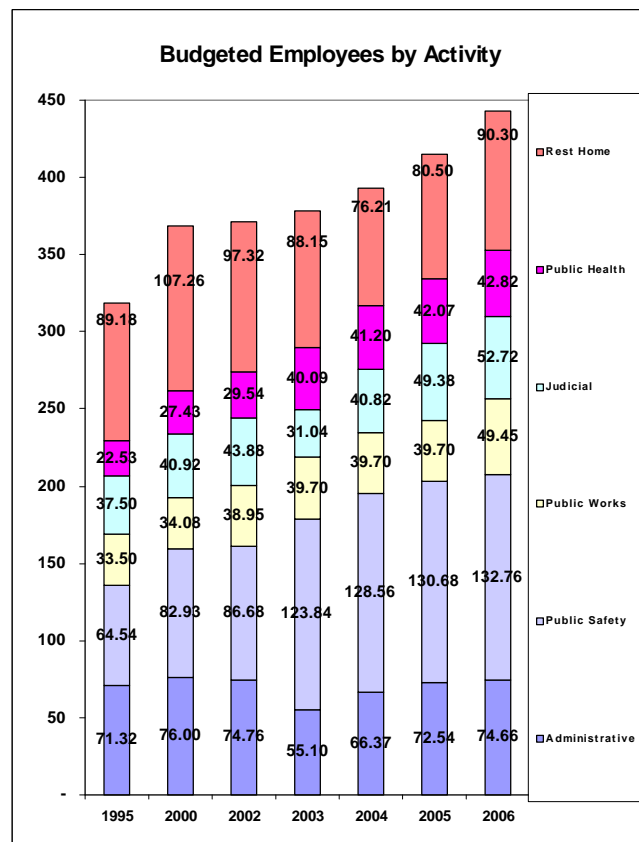
Employees Per Capita:

Employee levels have increased by 38.96% since FY 95 to the FY 2006 Budget.

A comparison of the number of residents per employee indicates the ability of a Government to maintain service levels, provided all factors remain equal. In the years FY 95 through the FY 2006 Budget, services provided have not remained the same. During this time the County added 65.48 employees. This increase is from County Administrative, Compliance, Court Services, Grants, and Public Defenders (21) with Joint Dispatch/Records, Airport / Big Sky Deputies and various grants adding 29.



Finding: **Favorable** -- Employees were added for new programs or expansion of existing services.



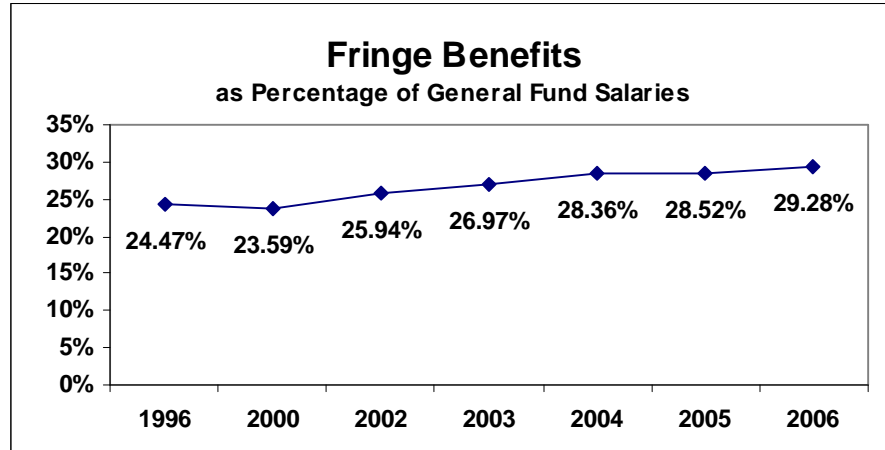
Favorable = a static or decrease in the number of residents per employee.

Expenditures for Fringe Benefits:

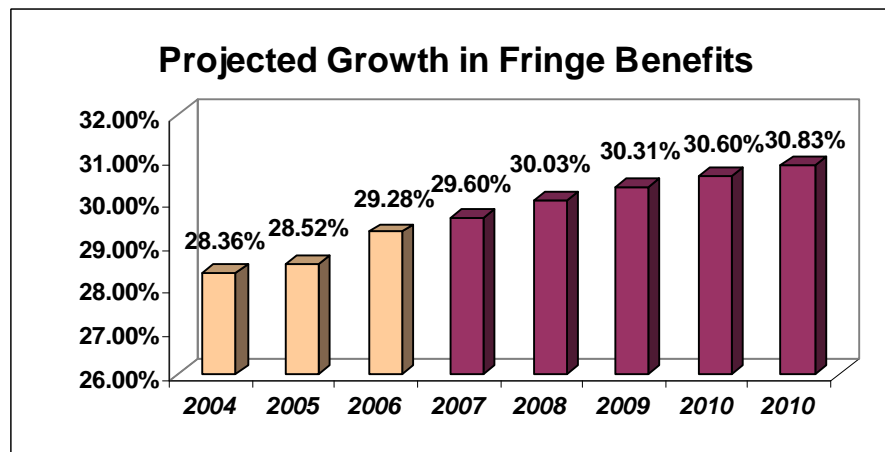
Fringe Benefit costs are increasing dramatically

Fringe Benefits under ideal conditions would increase at a percentage equal to or below the increase in Personnel. (Favorable rating) When Fringe Benefits increase faster than Personnel Costs this results in an Unfavorable rating.

The following graph shows Fringe Benefit costs as a percentage to the General Fund Salaries. Fringe Benefits include Unemployment Insurance, Worker's Compensation, Employer Contribution to Health Insurance, Public Employee/Sheriff/Teacher Retirement Systems, Social Security and Medicare costs.



These calculations do not include the percent for the statutory 15 days vacation, 12 days sick and 10 days holiday, which add to the benefit package. These benefits would add 14.17% to each of the years shown below, and do not change without Legislative action.



Finding: Unfavorable. Fringe Benefit percentages increased for five years in a row. In addition, approved legislation will move Detention Officers from PERS at 6.4% to Sheriff Retirement at 9.4% increasing costs as employees are hired or decide to move to new system.

Comments: The continued increase in health insurance costs will adversely affect the County's ability to adequately fund future year's budgets. The 4.05% increase in Fringe Benefits from 1996 to 2005 equals \$130,399 for the General Fund and an estimated \$418,539 countywide.

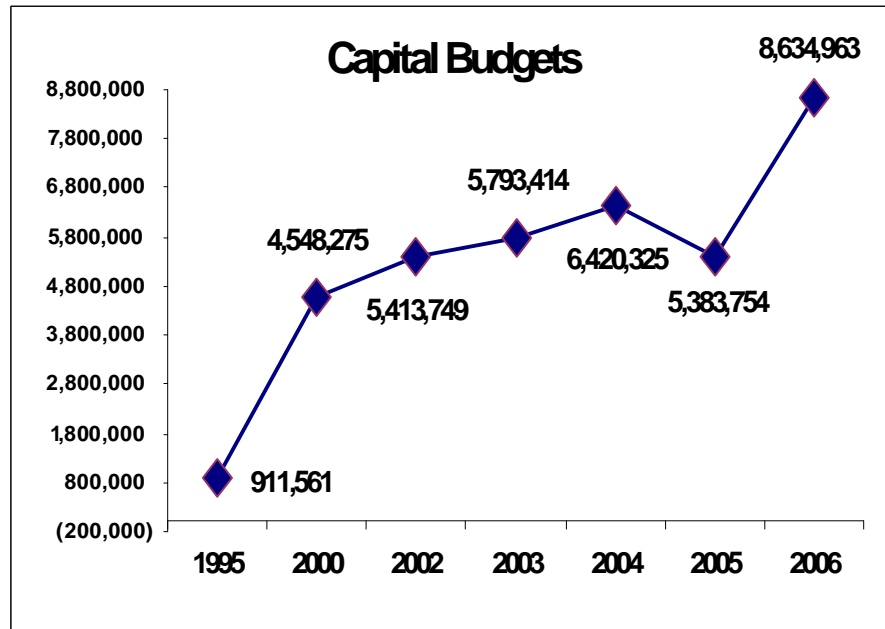
Favorable = a static or decrease in the percentage employer contributions are to total wages paid

Gallatin County Financial Plan

Capital Outlay and Capital Reserves:

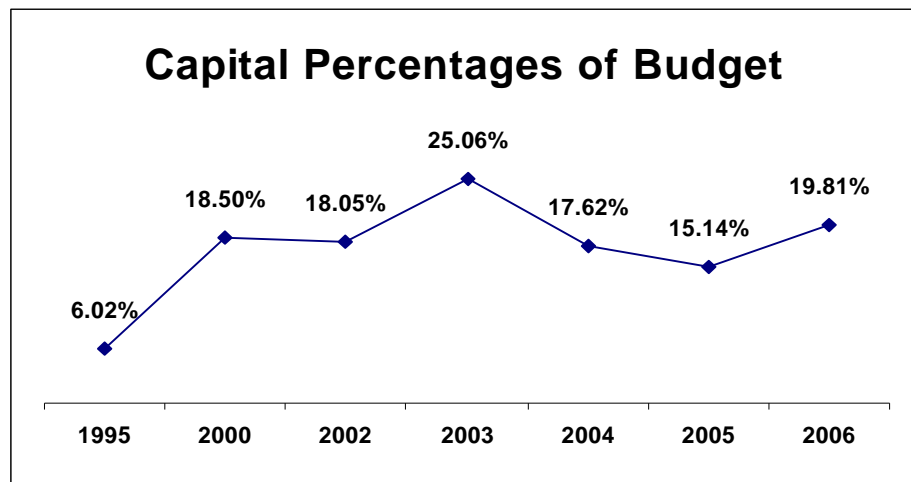
Significant increase in dollars and percentages

Capital Outlay and Capital Reserves in Gallatin County have changed dramatically in the last 8 years. Prior to 1996 the County rarely set aside funds unless a specific need was identified. In 1996 the County set aside \$180,000 for future capital needs. In 1998 and again in 2000 the County formalized a policy (the CIP) setting aside revenues generated from new construction taxes for approved Capital Improvement Projects. This changed in FY 05 but for FY 06 the Commission funded capital projects.



Finding: **Favorable.** The Commission for FY 06 reversed the FY 05 decision to not use new construction values for projects and levied taxes for the Capital Projects Fund.

The reinstatement of tax dollars shows a commitment by the County Commission to fund capital. The following graph shows the Capital Budgets compared to total budgets.

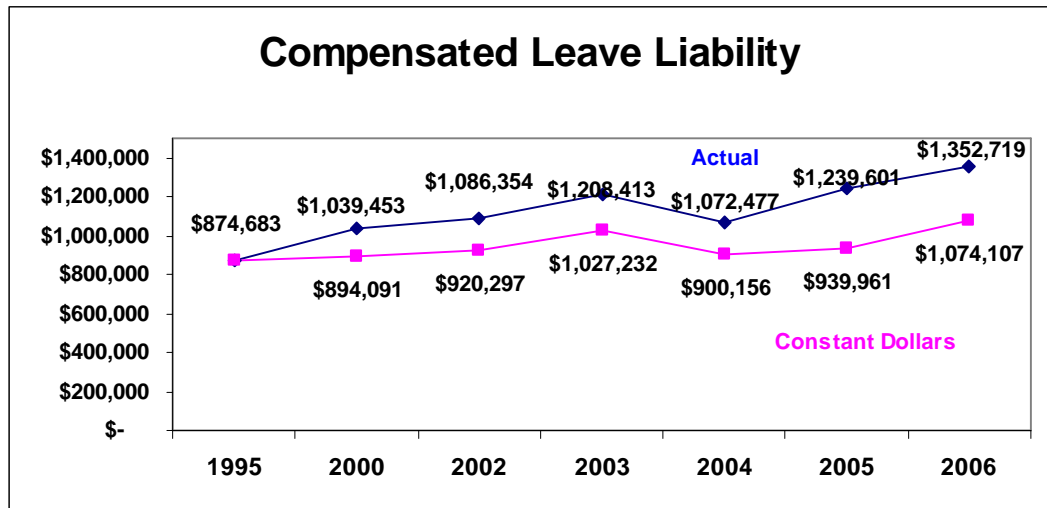


Favorable = a level or increase in the percentage capital outlay /reserves are to total budget

Compensated Leave Balances:

Compensated Leave increased by 9.12% for the beginning of FY 06

The County's Compensated Leave Balances normally would increase at the rate wages increase. During the previous 6 years, compensated leave balances increased at a rate greater than the rate of inflation. However, FY 04 saw a decrease of 8.02% in new dollars and a 2.9% decrease in constant 1995 dollars. This was a significant event for the financial stability of the County. The County was not able to maintain this change for FY 05, with balances now exceeding amount needed in FY 03. FY 06 continued the upward trend with a 9.12% increase, primarily caused by an upgrade of exempt positions to Market.



Finding: **WATCH:** In Fiscal Year 2004 the County saw a \$135,936 decrease in compensated leave liability. This was offset in FY 05 by a \$167,124 increase. The increase for FY 06 was \$113,118 (9.12%). The wage adjustment in FY 06 was 4%, excluding Market Wage adjustments.

The Watch finding comes from a review of the last five years of liability. Until FY 05 the rate of growth was equal to or below inflation. With the trend being within growth rates. The questions now is whether or not the growth for FY 06 is primarily from the Market Wage Adjustment or will be a trend into the future. The County needs to watch this trend to see if FY 06 becomes the norm or an exception.

Compensated leave balance should be reduced or increase no more than by the amount of inflation, plus any longevity amounts. In the ten years shown, the County's compensated leave liability has grown greater than the inflationary rate. This is especially true when you include the removal of Department Heads as a part of Compensatory time accrual.

Favorable = a static or decrease in the liability from Compensated Leave in dollars.

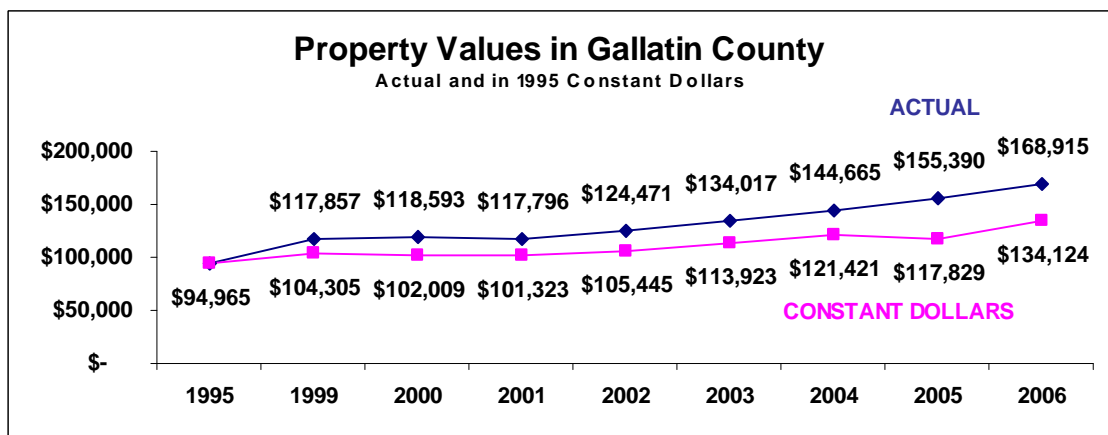
Gallatin County Financial Plan

Property Values:

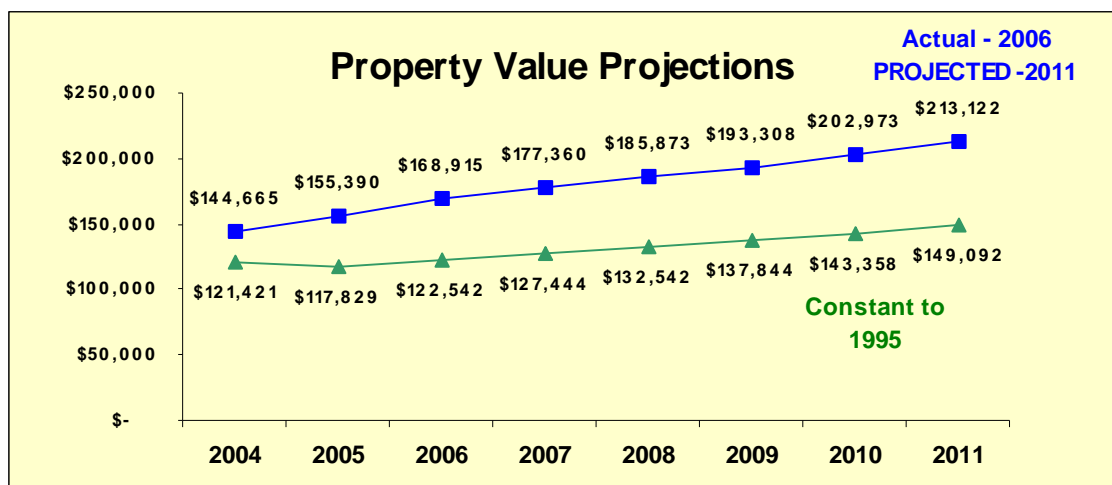
Adjustments by State Legislature complicates comparison of Property Values

The increase in taxable value for FY 05 is 7.17%. This increase comes in commercial and residential property values. State law allows the County to increase levies by half the last three years inflationary factors. The following is a comparison from year to year, of the changes in taxable values:

| | |
|-------|--------|
| 99-00 | .64% |
| 00-01 | (.06)% |
| 01-02 | 5.57% |
| 02-03 | 7.80% |
| 03-04 | 7.64% |
| 04-05 | 7.17% |
| 05-06 | 8.33% |



Finding: **Favorable.** The ability to increase the number of mills to compensate for any lost property value changes an Unfavorable analysis to a Favorable. The Favorable finding could change if the commission decides to not maximize the number of mills allowed under state law.



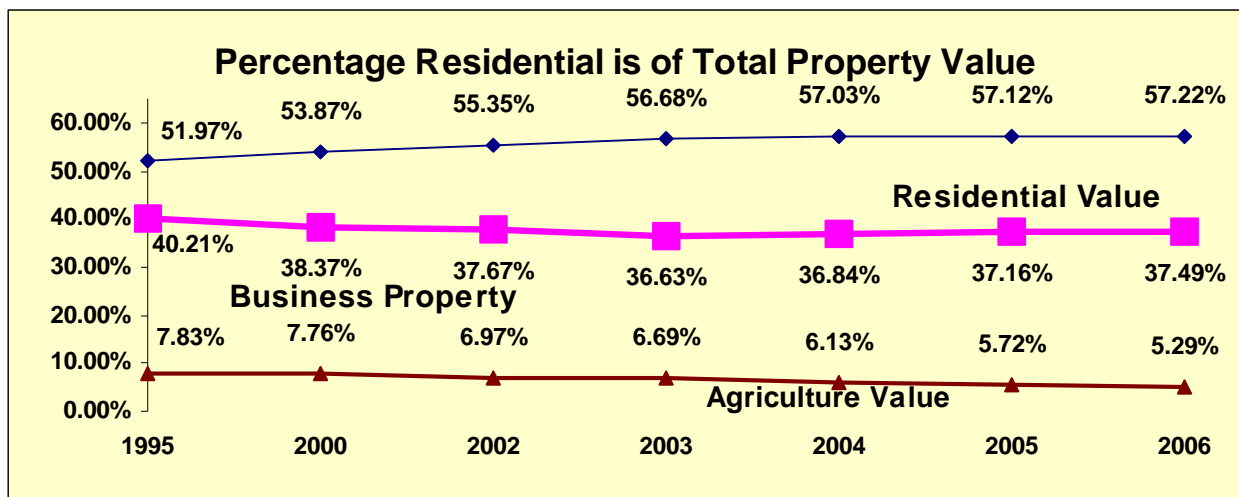
Favorable = an increase in the taxable value of the county, inclusive of known changes relative to the previous legislative actions.

Residential Property Values:

Changes by State Legislature has increased Local Governments reliance on Residential Property Taxes

House Bill 124 and other Legislative Bills implemented changes in the method DOR uses to calculate property values. The result of these changes is an increase in the reliance of Gallatin County on taxes generated by Residential Property. This also affects the Floating mill levy, and the inflationary millage allowed by HB 124. This results in more taxes being paid by residents than ever before. Residential tax percents have increased from 51.97% in 1995 to 57.22% in FY 06, plus the number of mills has increased causing a greater adverse affect on residential property owners.

The increase in the County's reliance on residential property values may cause the voter's of the County to not support needed Local Government initiatives.



Finding: **Unfavorable.** The continued increase in reliance on residential property values adversely affects the County's financial stability. A significant reliance on one type of property tax decreases flexibility and stability of revenues.

Comment: Decisions by the County can only peripherally affect the costs to residential property owners. The County Commission, Elected Officials and Department Heads need to be aware of the full effect of decisions they make, as it relates to increased costs to Residential Property taxpayers.

The significant increase in the amount of taxes paid by residential property taxpayers will have a positive impact, over time, on reducing the \$1.36 cost of service demanded to \$1.00 in taxes received calculated in 1997.

Favorable = a decrease or static percentage Residential Property taxes are to the total County Taxable Values.

Gallatin County Financial Plan

Property Tax Statistical Analysis:

The County Treasurer has identified a method to calculate the Average Parcel Taxable Value and Median Parcel Taxable Value for Residential property for Gallatin County. These calculations show a significant change between Tax Year 2000 and the current Tax Year 2004.

The table that follows shows County wide Real Estate Taxable Values, Real Estate Parcels Billed, Average parcel information, and Average General Tax using average Residential and Commercial bills for Tax Year 2004 and 2005:

| | <u>2004</u> | | | <u>2005</u> | | |
|------------------------------|-------------|-----|--|-------------|-----|--|
| Real Estate Taxable Value | 150,149,048 | | | 162,161,048 | | |
| Residential & N/Q Ag | 88,727,566 | 59% | | 99,598,380 | 61% | |
| Commercial & Other | 61,421,482 | 41% | | 62,562,668 | 39% | |
| Number Parcels Billed | 37,744 | | | 39,744 | | |
| Residential & N/Q Ag | 30,207 | 80% | | 33,040 | 83% | |
| Commercial & Other | 7,537 | 20% | | 6,704 | 17% | |
| Average Parcel Taxable Value | 3,978 | | | 4,080 | | |
| Residential & N/Q Ag | 2,937 | | | 3,014 | | |
| Commercial & Other | 8,149 | | | 9,332 | | |
| Average Parcel General Tax | \$1,767.94 | | | \$1,866.95 | | |
| Residential & N/Q Ag | \$1,305.40 | | | \$ 1,379.34 | | |
| Commercial & Other | \$3,621.72 | | | 4,270.11 | | |

The comparison shows that 1) Real Estate Taxable Values have increased by 8%, with Residential increasing to 61% and Commercial decreasing to 39%. 2) The number of bills created jumped by 2,833, a 9.37% increase. 3) Average Taxable Values increased by 2.62% for Residential and 14.53% for Commercial. 4) Average General Tax increased by \$99.01 (5.60%), with Residential increasing by \$73.94 (5.66%) and Commercial increasing by \$648.39 (17.90%).

Finding: **Favorable.** The increase in values of the Average Parcel Taxable Value along with the Increase in taxes generated by the Average Parcel is a positive financial condition for the county. Also Commercial & Other growth has exceeded Residential growth in Taxable Value and General Tax.

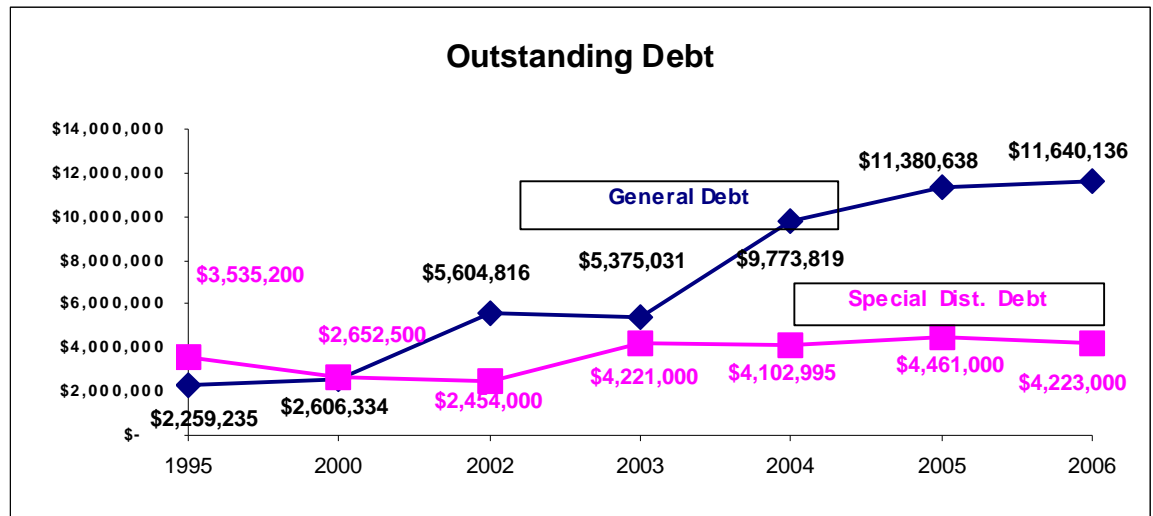
Favorable = growth in Average Taxable Value shows growth in tax base;

Financial Trend Analysis

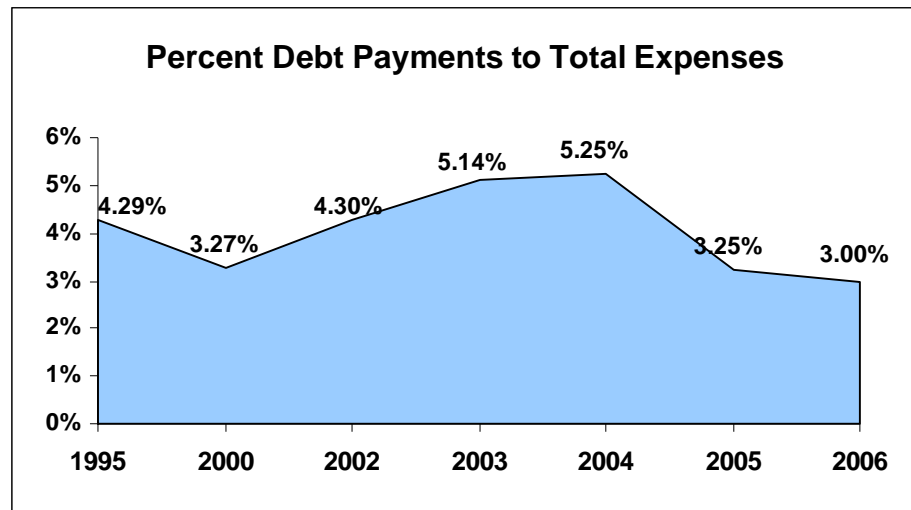
Debt Service – General Debt – Rural Improvement Debt:

State law sets the maximum debt for Gallatin County at 1.40% of the County's Assessed Valuation. This equates to \$70,058,831. (see page 19 for calculations). As of June 30, 2005 the County had \$11.6 million in General debt. When the \$2.2 million Open Land Bonds are sold, along with the \$10 million in New Open Bond authority authorized in Nov. 04, and other county debt including outstanding warrants and loans the available debt is estimated at 41.1 Million.

A third vote has not been scheduled for the replacement of the current Detention Center after the failure of the \$18,370,000 bond in July 02, and the \$20,000,000 in August 06.



Finding: ***Favorable*** – Credit rating firms generally view debt service as unfavorable if debt payments exceed 20% of a budget. The FY 2005 debt ratio is 3.0 %, significantly below the threshold. The issuance of the Open Land Bond and potential Detention Bond indicates the County may cause this indicator to move to a 'Watch status.



The County's Bond rating is "A+" according to a January 2006 review by Standard's and Poor (S&P)